Prepared Remarks of Congressman Ed Whitfield
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*** As Prepared for Delivery ***

- Thank you Tony Clark for that introduction.

- And thank you all for inviting me to be with you today as you meet to discuss the future of your industry and the important role it plays as part of America's domestic energy agenda.

- This is a very impressive crowd gathered here so early in the morning. In Kentucky, we usually only get such a large group for basketball games!

Electricity As Part of a Domestic Energy Agenda:

- In the State of the Union Address, President Obama made a call for an 'all of the above' energy strategy while also calling for the government to make new investments in new energy technology.

- In my view, this 'all of the above' energy strategy should utilize all of our domestic sources of energy. This includes responsible development of our oil reserves, natural gas, nuclear power, coal, hydro-electric and renewables.

- I just visited with our Kentucky Public Service Commissioners, and I am particularly focused to make sure that an 'all of the above' strategy includes coal, which is a major industry and employer in Kentucky.

- From my perspective, Kentucky can play a vital role in that 'all of the above' strategy. America is estimated to have enough coal reserves to meet our energy needs for the next 250 years – much of which is in Kentucky.

- All of you are an important part of this 'all of the above' strategy.

- And it is because we each have a role in answering America's growing energy demands that I am concerned about the President's focus on new investments and subsidies into newly developing energy technologies – many of which have yet to be perfected and are still in the research phase – as our energy demands continue to increase.

Continued Rise in Electricity Demand:

- For example, the U.S. Department of Energy forecasts growth in electricity demand to be 30% above current usage by 2035.

- Much of that demand will be determined by how quickly and to what degree the economy rebounds and grows.

- Some expect electricity demand could be much higher and much sooner than the Department of Energy forecasts.

- As you can see, based on these forecasts, we're going to need every fuel source to be part of an 'all of the above' strategy.

- That's why it's so important that as we consider the new investments the President has called for, that we continue to maintain and utilize what we have currently available to us.

Clean Energy Standard:

- The reality is our baseload electric generating plants power our homes, businesses and factories, and they do it day and night whether or not the wind is blowing or the sun is shining. And that basic fact is not going to change.

- And so it seems to me both unrealistic and frankly, unfair, to try to impose a federal clean energy or renewable energy standard on utility providers. It may work in some areas, but it doesn't work in others.

- There's also the question of what constitutes a renewable or clean fuel. Should nuclear be counted? What about hydro? Just new hydro plants or old hydro plants, also?

- Some states already have a renewable or clean energy requirement, and I think that's fine. But I am not an advocate for a federal standard.

- Congress should not be cherry picking what sources meet the definition of a clean energy standard. Instead, we should be pursuing a strategy that includes all forms of electricity generation and ensures a reliable supply, so we know that we can continue to meet our ever growing demands.

Transmission of Electrical Power:

- On top of not placing further restriction on electricity development and usage, we must also examine and invest in improving how we transmit the power created by many of the groups represented here today. We still have opportunities and must improve our siting procedures to get power to where it is needed most.

- This improvement may mean clarifying FERC's authority to intervene in transmission projects when states do not act to approve transmission projects, or when the states say, "no."

- In 2005, Congress attempted to strike a balance between traditional state authorities in transmission siting, and the clear federal interest in a robust electric transmission system, by providing backstop authority to FERC in limited situations when states fail to approve new transmission.

- This compromise, as you know, was undone by the courts, which ruled that the law gave FERC authority to act only when the states had failed to do so, not when the states had actually denied the application to build transmission.

- I'm sure many of you in this audience welcomed the court's ruling, but frankly I don't think it is representative of Congress' intent in the 2005 statute, and much as I would prefer that we avoid federal legislation in this area, this one may well require it.

- I realize that many of you will see this issue differently. But the fact remains that our electric transmission grid is interstate by nature.

- After all these years of trying to sort out proper authority for siting of new transmission, it is mystifying to some and an irritant to others that this issue still is unresolved.

- In the coming Congress, it will be both necessary and proper for Congress to examine this issue in order to ensure that our nation has reliable and consistent access to electricity.

Improvements to the Electric Grid:

- In addition to addressing issues surrounding transmission of electricity, we also face the urgent need to upgrade and improve the reliability of our electrical grid in order to adequately meet our growing energy needs.

- The cost of upgrading the electric grid is potentially staggering. It will involve both building new transmission to meet increasing demand for electricity, and upgrading existing transmission, much of which is half a century old. Some estimates for completing all of this are as high as one trillion dollars.

- And there is the question of who will be responsible for paying for this new infrastructure. Specifically, should the party generating the power be responsible for the costs or should it be the end user, who in some cases may be several states away from the point of generation. Or, should the costs be broadly spread?

- In its simplest terms, one might reasonably wonder why federal taxpayers should subsidize the development and pricing for new wind generation to be built in the upper Midwest, and then delivered to customers elsewhere who may neither need nor want it, on transmission lines that they, the customers, are obliged to help pay for.

- (The issue of subsidies, by the way, is one that our committee clearly is going to examine this year, both in terms of subsidies for green energy provided in the so-called stimulus legislation, and really for all forms of energy in a more general sense).

- FERC, as you know, has a rulemaking pending which was unveiled last summer that proposes to address key questions regarding the proper cost allocation for new transmission.

- Just as there are costs to be paid, there is also money to be made in the building of this new infrastructure, and so a key question will be "who gets to build the new facilities?" Should incumbent utilities be favored, or have the right of first refusal? What if they don't want to take on the projects - should they be required to do so?

- Of course, last year there was the effort in the Senate to address this legislatively, in an amendment offered by Senator Corker of Tennessee to a broader energy bill that would require FERC to ensure that the costs of new transmission projects are properly allocated to the beneficiaries. But, as you know, a big challenge in this exercise is trying to define who is a beneficiary.

- These are complex questions, and matters I believe are best decided by the regulators and stakeholders, and not by federal legislation. That is not to say Congress will not be following this closely, and I expect we will have some hearings on these issues later in the year.

Security of the Electric Grid

- In addition to improvements in our transmission and delivery infrastructure, we must also ensure our overall supply system is secure from outside attack.

- In a recent report issued by the Department of Energy's Inspector General, the IG found that the Federal Energy Regulatory Commission or FERC, has not taken the action necessary to protect the domestic energy grid from being compromised.

- Further revealed in this report is that the FERC feels that it does not have the appropriate authority to revise or enforce standards developed by the North American Electric Reliability Corporation, or NERC.

- Clearly, a problem exists when the agency tasked with oversight of our nation's energy delivery system feels that it cannot properly carry out its task.

- I am pleased to see the Department of Energy planning to bring together multiple stakeholders from across agencies and regulatory bodies to address this issue and develop strong security management guidelines for our electrical delivery system.

Closing:

- So, we face some very serious challenges with regard to improving and securing our delivery of electricity. First, we must utilize all available fuel sources to meet our energy needs.

- Second, the improvements that are necessary to our grid must be a priority in order to ensure we have a reliable source of power to meet our growing energy needs. And, we need to find a way to assure that the costs of doing this are fairly allocated.

- Third, we need to assure that the grid is protected, and that we use available and emerging technology to derive from it the benefits it holds.

- I look forward to continuing this dialogue with many of you in this session of Congress.

- And I thank you for inviting me to be with you today.

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